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FM AMEMBASSY ANTANANARIVO  
TO RUEHC/SECSTATE WASHDC 4459  
RUEHLMC/MILLENNIUM CHALLENGE CORPORATION

UNCLAS ANTANANARIVO 000238

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DEPT FOR AF/E  
DEPT PLEASE PASS TO USAID

E.O. 12958: N/A

TAGS: [ETRD](#) [ECON](#) [PGOV](#) [PHUM](#) [PREL](#) [KISL](#) [MA](#)  
SUBJECT: AMBASSADOR'S MEETINGS WITH MAHAJANGA BUSINESS LEADERS

REF: Antananarivo 0236

¶1. During American Week in Mahajanga (reftel), the Ambassador met with business and Muslim leaders to discuss the overall business climate and to listen to their concerns. Prevailing sentiment among business leaders was generally negative. They voiced complaints about the poor state of the Port of Mahajanga and its continuing inability to accommodate large, ocean-going vessels due to silting and poor maintenance; ineffective customs administration; unstable electricity supply; the uncertain security status of their investments; inadequacy of the human resource pool due to poor schools; lack of proper medical services; and shortages of water.

¶2. A factory manager producing for Polo and exporting to the United States under the African Growth and Opportunity Act (AGOA) said he often ships his goods across Madagascar to export via Tamatave because Mahajanga's facility is inadequate. He added that frequent electricity cuts in Mahajanga in the middle of product runs impact quality control and lead to waste.

¶3. A businesswoman from a prominent family expressed concern over the security of her investments because she is part of the "karana" (Indo-Pakistani origin Muslim) minority. She runs a soap factory in Mahajanga and her family is in many businesses in Madagascar; and yet they always fear they are at risk. Last year, she said her brother had to leave Madagascar quickly under "questionable circumstances," which hurt the family business. The long-running failure of the Malagasy government to grant citizenship to people in her family's situation is an impediment to them expanding their business.

¶4. The USAID Director met separately with a businessman whose company, Bio Energy Invest, aims to produce diesel from jatropha, a local plant. Working with D1, a British firm that specializes in bio-energy, Bio Energy Invest has already demonstrated the feasibility of running a vehicle on diesel made from jatropha oil. Its major hurdle is getting approval from the GOM to purchase the land on which the Bio Energy Invest president wants to grow the jatropha. He noted that his request has languished in the Ministry of Energy for several months now without a reply.

Meeting Muslim Religious Leaders

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¶5. Answering the Ambassador's question, the spokesman for the Muslim leaders group said they had seen no changes of any kind following the recent presidential elections. Their biggest preoccupation was personal insecurity due to lack of citizenship and the absence of safeguards or protections for their investments. The spokesman confirmed that Muslims of Indian or Pakistani origin found it difficult to get Malagasy citizenship despite family members having lived in Madagascar for up to five generations. The group asked the Ambassador to intervene with government on their behalf. The Ambassador said that when he had raised the issue with the President before the presidential election in December 2006, the President had responded that he would take up this issue after the

election because it was too politically controversial. The group added that some of them would be willing to invest more or could interest other investors in coming to invest in Madagascar, were this bar to citizenship removed.

¶6. Members of the group were particularly chagrined that the GOM's policy of not granting citizenship to long-term residents included those among them who were married to Malagasy citizens. The group spokesman expressed strong interest in learning English and requested the USG's help in finding a teacher. The Ambassador promised to look into the possibility of getting two Peace Corps volunteers to come to teach English but he informed the group that they would have to provide the classrooms.

¶7. COMMENT: In spite of the difficulties of doing business in Mahajanga, these business people continue to soldier on because they can still make a profit. However, because of the enormous obstacles, it is doubtful that these companies would invest in Madagascar if they had to do it all over again. The added problems for Muslim businesspeople, even those who have lived in Madagascar for generations, hinder economic investment. The Muslim minority is a special case, but if their substantial capital were unleashed, it would have a major benefit on investment.

¶8. COMMENT CONTINUED: The Muslim leaders look to the GOM for long-desired acceptance. Interestingly, Malagasy Muslims are openly critical of these "foreign" Indo-Pakistani origin leaders for not being inclusive, even at Islamic holidays. The Embassy will continue to cast a wide net in its outreach activities, seeking to bridge the divide within the Muslim community and between it and the rest of Malagasy society. END COMMENT.

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